

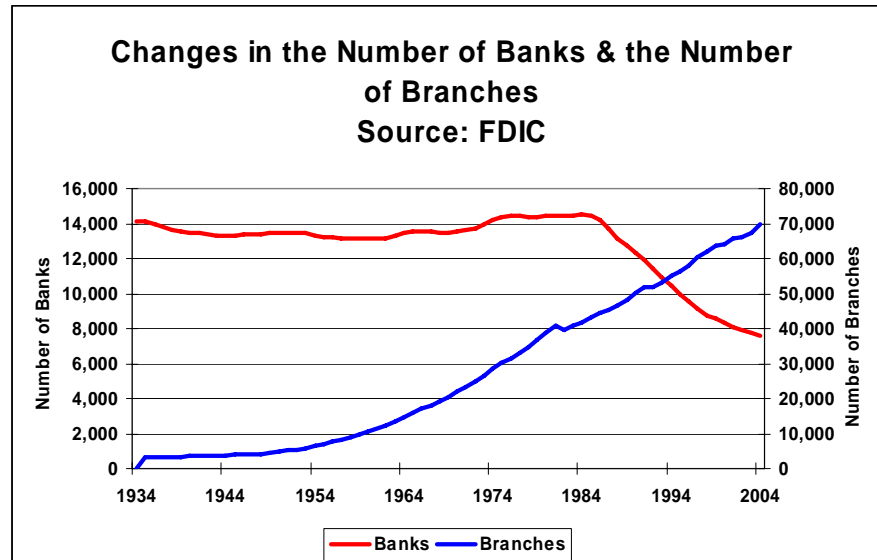
e-merging directions

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The Skyrocketing Number of Bank Branches

The past decade has seen a steady increase of U.S. bank branches, and in some areas it seems as though they are popping up on every corner. In a world of online and self-service banking, the number of bank branches has surprisingly continued to grow at a rate of 2% in recent years.

Meanwhile, the number of U.S. bank institutions has been declining. One of the factors contributing to this was the passage of the 1994 Riegle-Neal Interstate Banking and Branching Efficiency Act. This federal law reversed the McFadden Act, formed during the Depression, which gave national



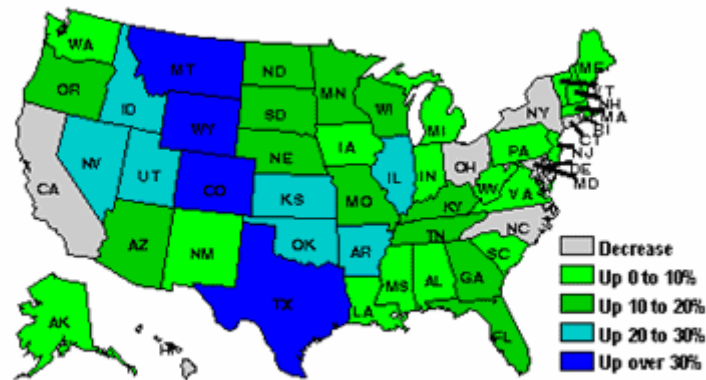
banks the same competitive equality as state banks by limiting charters from opening branch locations across state lines. The Riegle-Neal Act allows banks to once again cross state lines. Banks previously required to have separate charters or holding companies for multiple state locations are now able to consolidate. This caused the number of banks to decrease and the number of physical branch locations to start expanding. As a result, we began seeing an increase in national bank branches such as Bank of America, JP Morgan Chase, and US Bancorp.

Another contributor to the growth of branch locations is the need for banks to acquire low cost funds in the form of deposits and mortgages. While online banking has its conveniences, retail banks have found customers still want face-to-face interaction for these types of transactions.

Due to changes in consumer banking needs, branch locations have begun modifying their look. Many of the branch locations today are a third of the size of what they were a few years ago. Most have fewer teller lines and instead have express lanes or kiosks for customers with simple withdrawal or deposit transactions.

However, the increase in branches has not been uniform throughout the country. The areas where the most growth has occurred in recent years have been in states where relaxation in banking laws occurred later. A few states have shown a decline in branches. These states are primarily those that had begun relaxing their banking laws early or are in major markets where overlapping branches were closed due to mergers.

Change in Number of Offices from 1994 to 2003



Source: Summary of Deposit Annual Survey

Economic and demographic trends have also played a large part in the growth. Population and employment growth in particular have been important drivers in branch formation. Another driver is consumer demand. Consumers today are looking for convenience, which means being in a retail location.

The real estate market has benefited from this increase in bank branches. With branch locations looking to be in prime retail locations, they have almost created their own niche in the marketplace and are now competing for the same space as some national retailers. This has allowed them to drive up the price per square foot. Landlords also tend to favor bank branches over small mom and pop type businesses.

As time goes on, the banking industry can be expected to continue to grow and change to meet the needs of the consumer. Rather than watching bank branches disappear due to new online technology, they will begin to offer new services to provide a better banking experience for consumers. For example, consumers have shown an interest in being able to purchase postage and handle their delivery needs right at the bank branch. To date, there have already been some preliminary discussions between banks and shippers to do just that.



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